

1 IN THE UNITED STATES DEPARTMENT OF ENERGY

2 WESTERN AREA POWER ADMINISTRATION

3 PHOENIX, ARIZONA

6 BOULDER CANYON PROJECT

7 PUBLIC COMMENT FORUM

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

13 Phoenix, Arizona

14 April 27, 2011

10:32 a.m.

19 REPORTED BY: CHRISTINE JOHNSON, RPR
20 Certified Reporter #50383

23 PREPARED FOR: BRUSH & TERRELL
24 Court Reporters
26712 N. 90th Lane
MR. ROBERT S. LYNCH Peoria, Arizona 85383
25 Attorney at Law (623) 506-8046

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(623) 561-8046

1 Be it remembered that heretofore on April 27,
2 2011, commencing at 10:32 a.m., at the offices of the
3 Western Area Power Administration, Phoenix, Arizona, the
4 following proceedings were had, to wit:

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7	OPENING REMARKS	Page
8	BY MR. JACK MURRAY	3

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11 COMMENTS BY:

12	MULHOLLAND, Joe	5
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13	RAY, Lisa	6
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14	LYNCH, Robert	9
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1 MR. MURRAY: Okay. Good morning. Welcome to
2 today's Public Comment Forum. My name is Jack Murray. I'm
3 the rates manager here with Western Area Power
4 Administration, Desert Southwest Region, and I will preside
5 as the moderator for today's Forum.

6 The purpose of this Forum is to give interested
7 parties the opportunity to make oral presentations and/or to
8 submit written comments for the record on the proposed base
9 charge and rate adjustment for the Boulder Canyon Project
10 for fiscal year 2012.

11 Written comments on the proposed base charge and
12 rates may be submitted, that is, received by Western until
13 May 16th, 2011 at the end of the comment period. These
14 comments should be sent to Mr. Darrick Moe, Regional Manager
15 of Western's Desert Southwest Regional office by mail at
16 P.O. Box 6457, Phoenix, Arizona 85005-6457. By e-mail to
17 Moe, M-O-E, at wapa.gov or by fax to (602) 605-2490.

18 A verbatim transcript of today's Forum is being
19 prepared by our court reporter and everything said while
20 we're in session today, together with all exhibits, will be
21 a part of the official record. Copies of today's transcript
22 will be available to anyone who wants a copy upon payment of
23 the required fee to the court reporter. Copies of the
24 transcript and the complete record of this public process
25 will be available for review here at the Phoenix office and

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1 at Western's headquarters office in Lakewood, Colorado.

2 All presentations given today should be relevant
3 to the proposed base charge and rate adjustment and as the
4 moderator, I reserve the right to disallow any comments
5 which are not relevant to the subject matter of today's
6 Forum. Any relevant materials to be introduced in the
7 record should be given to the court reporter and she'll
8 assign an exhibit number to it.

9 After the close of the comment period, all
10 comments, exhibits and other information received will be
11 reviewed and considered. Western will then issue a Notice
12 in the Federal Register. Comments made during the public
13 process will be discussed in this Notice.

14 Okay. The way we will proceed today is to have
15 anyone desiring to speak, step up to the podium. Before
16 making your comments, please state your name and the name of
17 the organization that you represent. Please spell -- please
18 spell your name for the convenience of the court reporter.
19 In addition, if you have an extra copy of your presentation,
20 please give one to the court reporter.

21 And finally, Western has no formal presentation
22 for today. The sole purpose of this forum is to listen to
23 any comments that you might have regarding the proposed base
24 charge and rates. I'm now going to open the floor for
25 comments. Again, after you've been recognized, please give

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1 your name and the name of the organization you represent and
2 please spell your name for the court reporter.

3 Joe.

4 MR. MULHOLLAND: Thank you. My name is Joe
5 Mulholland, M-U-L-H-O-L-L-A-N-D. I work for the Arizona
6 Power Authority. I have just a very few brief comments.
7 One is that the rate increase of 16 percent is significant,
8 and it was slightly less than that because of certain
9 adjustments, which we are pleased to see. But the -- there
10 are certain elements that I would like to see perhaps first
11 reviewed.

12 One is the breakers that are scheduled for
13 replacement in 2012 we believe are priced higher than the
14 actual costs will be, as far as the estimate goes that's
15 used in the budget, and if there was a way that we could
16 reduce the actual rates for next year based on costs rather
17 than based on estimates, we would welcome that.

18 Also, we would welcome the opportunity to work
19 with Western and the Bureau to find a way to amortize the
20 cost of certain items, budget items that perhaps should be
21 classified more as capital items, long-term investment items
22 rather than expenses, such as breakers, such as privileged
23 to the turbines.

24 We've also examined the trend, long-term trend for
25 recovery rate for the rates, and we will submit a chart that

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1 will help make this point clear. But we think that perhaps
2 the rates for the next few years could be reduced and then
3 in later years increased some. It may not -- that's a
4 difficult proposition, but if there's a way to at least
5 examine that, it might be a way to reduce the rates --
6 expected rates for coming years.

7 Finally, we will be submitting written comments to
8 hopefully clarify what I'm saying here. And as an added
9 comment, I was very disappointed in the Federal Register
10 Notice of today regarding the application of power marketing
11 initiative to the allocation of Hoover power in 2017. I'll
12 have more to say about that in the future. That's all I
13 have. Thank you very much.

14 MR. MURRAY: Any other comments, those desiring to
15 comment.

16 MS. RAY: Good afternoon, my name is Lisa Ray,
17 L-I-S-A, R-A-Y. I'm the Assistant Hydropower Program
18 Manager for the Colorado River Commission of Nevada, and I
19 appear here today to offer some comments on behalf of the
20 CRC on the pending work plan and budget for the Boulder
21 Canyon Project rate process.

22 First, I'd like to say the CRC appreciates this
23 opportunity to participate with Western and Reclamation in
24 developing the work plan and budget for the Boulder Canyon
25 Project. Please accept our comments as follows for

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1 consideration in your rate process.

2 The CRC commends Western and Reclamation for their
3 support of the goals set forth in the Boulder Canyon Project
4 Implementation Agreement and the committees that were
5 established to provide for the exchange of facts and
6 information and avoid disputes and disagreements under which
7 the contracts regarding the criteria, policies and
8 procedures by which the project will be operated,
9 maintained, marketed and kept in good repair so that
10 capacity and energy rates will be at the lowest possible
11 cost consistent with sound business principles.

12 The CRC recognizes the diverse needs, goals and
13 concerns of those that comprise the Hoover customer group.
14 Western and Reclamation have done a remarkable job in trying
15 to balance the needs of these goals and concerns of the
16 Hoover customer group while developing these work plans and
17 budgets.

18 The CRC appreciates Reclamation's willingness to
19 address the concerns of the Hoover customer group by
20 reviewing the 2011 and 2012 work plan and budget in an
21 effort to reduce the 2012 base charges and rates by the
22 \$1.7 million by electing not to expend monies on this
23 Spillway Drum Gate Seal Replacement.

24 After reviewing these work plans, the CRC does not
25 fully understand why this project was chosen to be postponed

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1 given there are no other alternatives other than to replace
2 the seals and it appeared that the project was critical to
3 dam safety.

4 On the surface, it appears there are other
5 replacements such as possibly the breaker replacement that
6 may have many other alternatives listed in the work plan
7 that do not appear to be critical to safety at this time.
8 That may be more appropriate to postpone. The CRC is
9 willing to participate in upcoming meetings to discuss these
10 issues in more detail and so that we can gain a better
11 understanding.

12 The CRC supports Western and Reclamation in
13 continuing to develop and implement the work plans and
14 budgets while keeping true to the spirit of the
15 Implementation Agreement by appropriately prioritizing its
16 replacements according to what is most critical to
17 maintaining safe operations and consistent with sound
18 business principles while keeping the capacity and energy
19 rates at the lowest possible cost.

20 The CRC, again, thanks Western and Reclamation for
21 the opportunity to provide comments to the 2012 rate
22 process.

23 MR. MURRAY: Thank you. Does anyone else wish to
24 provide comment?

25 (Pause.)

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1 MR. MURRAY: Seeing that no one else has indicated
2 a desire to comment, I'd like to thank all of you for
3 attending this Forum. I'd also ask that if you have not
4 already done so, that you register on our sign-up sheet so
5 that we have an accurate attendance record.

6 Please, also remember that any written comments
7 are due by the 16th of May. Again, thanks for your
8 attendance and participation today and the Forum is now
9 closed, and we'll go off the record.

10 (Whereupon, the proceedings terminated at 10:42
11 a.m.)

12 (Whereupon, the meeting was reopened for
13 additional comments.)

14 MR. MURRAY: I am going to allow additional
15 comments. Sorry about that.

16 MR. LYNCH: Good morning. My name is Bob Lynch,
17 L-Y-N-C-H, and I'm here on behalf of the Irrigation and
18 Electrical Districts Association of Arizona, which is an
19 Arizona nonprofit association, many of whose members have
20 contract for Hoover power from Arizona Power Authority.

21 Three things briefly. First of all, I looked in
22 vain in the documents that you had produced for the Public
23 Information Forum for a specific reference to 2010 Visitor's
24 Center revenues. You do show other revenues, but you do not
25 break out Visitor's Center revenues.

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1 You do break out Visitor's Center expenses and it
2 doesn't seem to me to make any sense. And the reason it's
3 important is that in your projections, in your ten-year
4 planner, you are estimating something over \$12 million a
5 year in Visitor's Center revenues as a flat number over that
6 entire period, whereas other numbers that you have put in
7 that projection are estimated real numbers.

8 I can find no basis in any of the documents you
9 produced for the \$12 million estimate, why it relates to
10 past experience or why it should relate, in some meaningful
11 way, to estimated future experience.

12 In the recreation industry, people in the private
13 sector have to estimate revenues and expenses just like any
14 other business, and I don't understand why this particular
15 line item would have to be a place holder and not some sort
16 of realistic estimate with some -- some support for it.

17 Second, I'm concerned about the security costs.
18 It seemed to me that with the completion of the bridge, with
19 the completion of the central capital improvements, that
20 security costs should be tailing down to fairly routine,
21 even pre-911 expense level.

22 The traffic across the dam has obviously changed
23 dramatically. Other aspects of how the dam is managed have
24 changed because of the diversion of the traveling public
25 away from the dam, and I think the estimates of what those

1 security costs should be, should be reexamined in light of
2 that.

3 And third, let me comment briefly on the
4 replacement numbers that you have in there for breakers.
5 This has been a subject of some consternation in spring as
6 you know. I know that there have been a number of attempts
7 to provide some additional information. We had a
8 presentation from Ken Rice and others at the last Arizona
9 Power Authority meeting.

10 If I understand things correctly, there's two
11 station breakers in the most immediate new budgets totaling
12 something over \$5 million are possibly are going to be bid
13 out to a single contractor. It was a little unclear to me,
14 but I'm not aware that there is competitive bidding either
15 for the station breakers or more especially planned for the
16 generator breakers. And I have been concerned about just
17 how that process has been handled because it is driving a
18 significant part of projected rate increases.

19 I'm also concerned, because if I heard correctly
20 from the Power Authority, the reason we are going down this
21 route is that there is a change in the formula that is --
22 that Reclamation is using to estimate the amount of power
23 flowing across these breakers and their ability to withstand
24 that flow based on their current design.

25 I think I heard right that this new formula is not

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1 generally used in the electric industry, power industry. I
2 don't know if that's correct, but that is my recollection.
3 If that's true, then this rate order ought to reflect some
4 additional responses from Reclamation to Western and to us
5 about why this formula change has occurred, what its
6 consequences are and whether or not there is adequate
7 scientific basis for utilization of it.

8 Now, a lot of this is Reclamation's
9 responsibility, but I think it's Western's responsibility to
10 get answers from Reclamation and put them in the rate order.
11 I don't think Western is in a position to exercise its
12 authority appropriately by merely accepting what Reclamation
13 gives it without question.

14 So I would hope that when we see the final order,
15 that we see some further explanation of these issues.

16 This is a rough time to be raising rates, and if
17 there is some way to reschedule some of this and there is
18 some way to remunerate these costs, I think it's
19 Reclamation's responsibility to try to do that.

20 Thank you for the opportunity to comment.

21 MR. MURRAY: Okay. Is there anyone else wishing
22 to provide comment? Going once.

23 (Pause.)

24 MR. MURRAY: Okay. Again, seeing that no one else
25 has indicated a desire, thank you again, everyone, for

1 attending. And make sure you sign up on the sign-up sheet
2 so that we have an accurate attendance record, and don't
3 forget that any written comments are due by the 16th of May.

4 Thanks for your attendance and participation and
5 once again, we'll close the Forum and go off the record.

6 (Whereupon, the proceedings terminated at 10:52
7 a.m.)

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I, CHRISTINE JOHNSON, Certified Reporter #50383,
having been first duly sworn and appointed as Official Court
Reporter herein, do hereby certify that the foregoing pages
constitute a full, true and accurate transcript of all the
proceedings had in the above matter, all done to the best of
my skill and ability.

DATED this 2nd day of May, 2011.

Christine Johnson, RPR
Certified Court Reporter No. 50383

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